

# HOUSE BILL REPORT

## HB 1239

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**As Reported by House Committee On:**  
Finance

**Title:** An act relating to the leasehold excise tax exemption for certain historical property.

**Brief Description:** Changing the leasehold excise tax exemption for certain historical property.

**Sponsors:** Representatives Fromhold, Wallace, Curtis, Dunn and Moeller.

**Brief History:**

**Committee Activity:**

Finance: 2/2/05, 3/7/05 [DPS].

**Brief Summary of Substitute Bill**

- Exempts historical property from leasehold excise tax if the property is controlled by a municipal corporation and is within a special review district established before 1976, or is listed on a federal or state historical register.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives McIntire, Chair; Hunter, Vice Chair; Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Conway, Ericksen, Hasegawa and Santos.

**Staff:** Bob Longman (786-7139).

**Background:**

Property owned by federal, state, or local governments is exempt from property tax. However, private lessees of government property are subject to leasehold excise tax. The purpose of the leasehold excise tax is to impose a tax burden on persons using publicly-owned, tax-exempt property similar to the property tax that they would pay if they owned the property. The rate of the leasehold excise tax is 12 percent of the contract rent. Cities and counties may each levy a local leasehold excise tax, which is credited against the state tax. Cities can levy up to 4 percent, and counties up to 6 percent, and the city tax is credited against the county tax.

Common examples of the leasehold excise tax include port property upon which lessees construct warehouses and manufacturing plants; airline facilities at public airports; state grazing lands; and national forest land leased for recreational cabins.

The leasehold excise tax does not apply to property within a special review district established before 1976, or to property listed on any federal or state register of historical sites which is controlled by a public development authority (PDA) that was in existence prior to January 1, 1987.

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**Summary of Substitute Bill:**

Leasehold interests in property owned by a municipal corporation that are listed on a federal or state register of historical sites and is wholly contained within a national historic reserve are exempt from the leasehold excise tax.

**Substitute Bill Compared to Original Bill:**

The substitute bill requires the property to be wholly located in a national historic reserve in order for the leasehold to be exempt from tax. The substitute puts this leasehold exemption into the statute listing other exemptions to the leasehold excise tax.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** This is a very narrow bill and housekeeping in nature. Vancouver owns a part of the Vancouver National Historic Reserve. The city must keep its PDA on the books to keep the tax exemption, but the PDA is not otherwise needed. This does not expand the exemption. It just allows the city to abolish the PDA.

**Testimony Against:** None.

**Persons Testifying:** Representative Fromhold; prime sponsor; and Brent Boger, Assistant Attorney, City of Vancouver.

**Persons Signed In To Testify But Not Testifying:** None.